

Supreme Court, U. S.
FILED

DEC 29 1977

MICHAEL RODAK, JR., CLERK

No. 77-665

**IN THE
Supreme Court of the United States**

October Term, 1977

UNITED STATES OF AMERICA,

Petitioner

v

**STEPHEN PITCAIRN, AGENT FOR THE FORMER
SHAREHOLDERS OF AUTOGIRO COMPANY OF AMERICA,**

Respondent

**RESPONDENT'S BRIEF IN OPPOSITION TO
PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF CLAIMS**

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INDEX.

	Page
OPINIONS AND RELATED ORDERS BELOW	2
JURISDICTION	3
ARGUMENT ON JURISDICTION	7
The Controlling Principle of Law Regarding the Jurisdiction of This Court Under 28 U. S. C. 2101(c)	10
CONCLUSION RE JURISDICTION	14
STATEMENT OF THE CASE ON THE QUESTIONS PRESENTED BY THE PETITION	15
ARGUMENT	15
Introduction	15
Reasons Why the Petition Should Be Denied	18
I. This Case Does Not Raise the First of the Questions Presented by the Petition	20
II. The Court of Claims Did Not Err in Disregarding or Discounting the "Amounts Actually Paid" Under the 1949 United Agreement	27
III. This Case Does Not Raise the Parenthetical Questions Presented by Petitioner	30
IV. The Questions Presented Are of No Precedential Interest	31
CONCLUSION	34
APPENDIX A	1a
APPENDIX B	5a
APPENDIX C	16a
APPENDIX D	18a
APPENDIX E	21a

TABLE OF CITATIONS.

Cases:	Page
City of Detroit v. Cassese, 376 Mich. 311, 136 N. E. 2d 896 (1965)	28
Department of Banking, etc. v. Pink, 317 U. S. 264, 63 S. Ct. 233 (1942)	10, 11, 12
Federal Trade Commission v. Minneapolis-Honeywell Regulator Co., 344 U. S. 206, 73 S. Ct. 245 (1952)	10, 11, 12, 14
General Motors Corporation v. Dailey, 93 F. 2d 938 (1937) ..	26, 34
Herman v. North Penn Railroad, 270 Pa. 551 (1921)	28
Rude v. Wescott, 130 U. S. 152	32
South Twelfth Street, 217 Pa. 362 (1907)	28
United States v. Reynolds, 397 U. S. 15 (1970)	28, 31, 34
 Statutes:	
28 U. S. C. 1255(1)	3
28 U. S. C. 1498(a)	24, 28, 31, 32
28 U. S. C. 2101(c)	1, 3, 5, 7, 9, 10, 11, 36

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Respondent opposes, and requests this Honorable Court to deny the Government's subject Petition.

Since the Petition fails to establish Jurisdiction under 28 U. S. C. 2101(c), in accordance with Rule 24 we deal first with that jurisdictional issue in our **Statement on Jurisdiction** and the **Argument** thereon (pp. 3-14, *infra*), before responding to the Government's arguments on the Questions Presented by the Petition.

OPINIONS AND RELATED ORDERS BELOW

The Opinion of Judge Donald E. Lane of the U. S. Court of Customs and Patent Appeals, sitting by special designation of the Chief Justice as a Trial Judge of the U. S. Court of Claims, is set forth in Appendix A (pp. 1a-31a) of the Government's Petition.

The *Per Curiam* Opinion, the Conclusion of Law, and the Judgment of the Court of Claims, as formally entered December 15, 1976, is set forth in Appendix B (pp. 32a-72a) of the Petition. However, in that Appendix Petitioner has failed to include the caption **CONCLUSION OF LAW** as set forth in the decision of December 15, 1976, which should appear just before the last paragraph of the Opinion on page 71a of that Appendix. [See 547 F. 2d 1106, 1126]

The Order of the Court of Claims filed March 4, 1977 (on motions of the parties for rehearing) which modifies and supplements the Opinion and Judgment of December 15, 1976, is Appendix C (pp. 109a-112a) of the Petition.

The Opinion, Conclusion of Law and Judgment of December 15, 1976, as amended by the Order of March 4, is reported at 547 F. 2d 1106.

The Order of the Court of Claims filed June 21, 1977 (not yet reported), which further supplements the Opinion, Conclusion of Law and Judgment of December 15, 1976, as modified by the Order of March 4, is set forth in Respondent's Appendix A, *infra*, pp. 1a-4a.

The Order of the Court of Claims filed July 12, 1977—by which judgment was entered for Respondent as to the dollar amounts of the basic (royalty) compensation and the delay compensation through June 30, 1977—is Appendix D (pp. 113a-115a) of the Petition.

JURISDICTION

Petitioner's statement on Jurisdiction is inaccurate and incomplete. The Petition fails to consider whether this Court has jurisdiction to entertain the Petition, despite the fact that the Chief Justice's Order of October 6, 1977 (which granted the Government an extension to November 9, 1977) was specifically made "*without prejudice to the Court's consideration of whether this application has been filed in time.*" Accordingly, Respondent submits the following Statement on Jurisdiction.

1. The jurisdiction of this Court under 28 U. S. C. 1255(1) to review cases in the Court of Claims is limited by the provisions of 28 U. S. C. 2101(c), to wit:

"Any other appeal or *any writ of certiorari* intended to bring any judgment or decree in a civil action, suit or proceeding before the Supreme Court for review *shall be taken or applied for within ninety days after the entry of such judgment or decree.* A justice of the Supreme Court, for good cause shown, may extend the time for applying for a writ of certiorari for a period *not exceeding sixty days.*"¹

2. On December 15, 1976 the Court of Claims rendered its *Per Curiam* Opinion, including its Conclusion of Law, and entered its Judgment, with respect to the questions presented by the Petition filed November 9, 1977. That Conclusion of Law states:

"Upon the foregoing opinion and on the findings of fact which are made part of the judgment herein, the court concludes that the plaintiff is entitled to recover from the United States in accordance with the

1. Throughout, in all quotations, emphasis has been added.

opinion. Judgment is entered for plaintiff to that effect. The amount of recovery, including both the basic amount of compensation² and the delay compensation, will be determined pursuant to Rule 131(c) under the opinion." [See Pet. App. B, p. 71a, last para.]

3. Following consideration of motions by the parties for rehearing and for modification of the Opinion, Conclusion of Law and Judgment, the Court of Claims issued its Order of March 4, 1977. That Order amended the Opinion, and also the Court's finding 467 (which is set forth in Respondent's Appendix B, *infra*, pp. 7a-10a) to specify the *royalty base* for the previously determined 2% *royalty rate* as being "the total retail sale value (including engine and standard equipment)" instead of just "the air-frame price." [See Pet. App. C., p. 110a, ¶s (a) & (b)]

4. In that Order of March 4, the Court of Claims also specified in paragraph (c) thereof [Pet. App. C, p. 110a]:

"As provided for in the original *per curiam* opinion, the case remains remanded to the Trial Division for the computation of the precise amount of recovery. . . ."; namely, as specified in the Conclusion of Law set forth in paragraph 2, *supra*.

5. Pursuant to the Order of March 4, 1977, the Trial Judge filed his report on March 30, and the Government filed exceptions thereto on May 16, 1977.

6. On May 20, 1977, just 4 days after filing its exceptions to the Trial Judge's report of March 30, the Gov-

2. In its Opinion and Conclusion of Law, and in its subsequent Orders, the Court of Claims refers to Respondent's royalty compensation as its "basic amount of compensation" or "basic compensation." [Pet. App. C, p. 110a, ¶ (c); also Resp. App. A, *infra*, p. 2a, ¶ nos. 1 & 2; also Pet. App. D, p. 114a, line 18].

ernment filed its first Application for extension of time for filing a petition for writ of certiorari. In that Application—to which was appended the Opinion, Conclusion of Law and Judgment of December 15, 1976, and also the Order of March 4—the Government stated, "The time for filing a petition for a writ of certiorari, unless extended, will expire on June 2, 1977"; i.e., 90 days after the Court of Claims' Order of March 4. By the Chief Justice's Order of May 23, 1977, the Government's time for filing a petition for certiorari was extended for the full 60 days permitted under 28 U. S. C. 2101(c), *supra*; namely, "to and including August 1, 1977."

7. Following consideration of the Government's exceptions (as filed May 16) to the Trial Judge's report of March 30, the Court of Claims entered its Order of June 21, 1977, again remanding the case to the Trial Judge "for recomputation of the amount of recovery", this time with specific "directions" including:

"The 2% royalty rate should then be applied to the royalty base (as mandated by the Opinion of December 15, 1976)." [See Resp. App. A, *infra*, p. 2a, ¶ no. 4]

Neither the Government nor Respondent sought any reconsideration, rehearing or modification of that Order of June 21.

8. On June 24, 1977, the Trial Judge filed his report pursuant to the Court's Order of June 21 and the "directions" specified therein.

9. Although the Government again excepted to certain of the Trial Judge's recomputations of royalty, by its Order of July 12, 1977 the Court of Claims affirmed and adopted the Trial Judge's memorandum report and his

"recomputation of the amount" of Respondent's recovery pursuant to the Court's Order of June 21. By the Order of July 12 the Court of Claims entered its monetary judgment "for plaintiff against defendant in the basic [royalty] amount of \$14,440,772", plus specified delay compensation. However, that Order made no modification in the determination of the Court of Claims regarding the 2% royalty rate as mandated by its Opinion and Judgment of December 15, 1976.

10. The Government did not file any petition for certiorari on or prior to August 1, 1977, to which date its time had been extended by the Chief Justice's Order of May 23. [see para. 6, *supra*] Nor did the Government, prior to August 1, apply for any further extension of time to file a petition for certiorari.

11. On September 30, the Government filed a second Application for extension of time for filing a petition for certiorari. In that Application, the Government stated, "We have now determined that it would be more appropriate to consider *whether to seek* certiorari in this case *in the context of the final judgment* rendered by the Court of Claims in the entire case on July 12, 1977." Although the Government appended to that second Application the Court of Claims' Opinion, Conclusion of Law and Judgment of December 15, 1976, and the Order of March 4, 1977, as well as the Order of July 12, 1977, it did not append thereto the Court of Claims Order of June 21, 1977.

12. On October 4, 1977, Respondent filed its Objection and Memorandum in Opposition to the Government's second Application for extension of time. The basis of that Objection was:

- (a) that the time within which the Government could have filed a petition for certiorari, in compliance with the Chief Justice's Order of May 23 (see ¶ 6, *supra*), expired August 1, 1977;
- (b) that this Court would therefore have no jurisdiction to entertain such a Petition if it were filed; and
- (c) that this Court should therefore deny the Government's second Application for extension of time.

13. By Order of the Chief Justice dated October 6, 1977, the Government's time for filing a petition for certiorari was extended "to and including November 9, 1977, *without prejudice to the Court's consideration of whether this application has been filed in time.*"

ARGUMENT ON JURISDICTION

This Court is without jurisdiction to entertain the subject Petition, because it was not filed within the time allowed by law; namely, by August 1, 1977. Nor was it filed even by September 19, the latest conceivable date (i.e., 90 days after the Court of Claims' Order of June 21, 1977) any petition could have sought review of the 2% royalty rate as determined by the Opinion and Judgment of December 15, 1976, and as that rate had been specifically confirmed by the "directions" to the Trial Judge in the Order of June 21.

From the chronology of facts set forth in the **Statement on Jurisdiction** at pages 3-7, *supra*, Respondent respectfully submits that there can be absolutely no doubt that the subject Petition filed November 9, 1977, was not filed within the period allowed under 28 U. S. C. 2101(c), *supra*.

Moreover, the Petition itself completely justifies the denial thereof on that ground. Thus, at page 2, under **JURISDICTION** the Petition states, "The Court of Claims announced its opinion with respect to the questions presented here on December 15, 1976." The Conclusion of Law included in that Opinion specifies:

- (1) "the opinion . . . [is] made a part of the judgment",
- (2) "the planitiff is entitled to recover from the United States in accordance with the opinion", and
- (3) "Judgment is entered for plaintiff to that effect."

Therefore, the questions presented by the Petition are based entirely on the Opinion and Judgment of December 15, 1976.

This is further substantiated by the statement in the footnote on page 1 of the Petition:

"... the trial judge's findings of fact or his two opinions on remand concerning the computation of damages . . . do not bear upon the questions presented."

That the questions presented by the Petition are based completely on the Opinion and Judgment of December 15, 1976, is further substantiated by the fact that nowhere in the Petition is there even a suggestion that any of the subsequent proceedings before, or Orders of, the Court of Claims made any change in respect to the **2% royalty rate as determined by the decision of December 15, 1976.**

Moreover, the Government has also previously taken the position that the Opinion and Judgment of December 15, 1976, as modified by the Order on rehearing of March

4, 1977, determined the period for filing a petition for certiorari in this matter. Thus, in its first Application (filed May 20, 1977) for extension of time, the Government premised that Application on that Opinion and Judgment, as modified by the Order of March 4, and stated therein:

"The time for filing a petition for a writ of certiorari, unless extended, will expire on June 2"; viz., 90 days after March 4.

Based on that Application, including its above-quoted statement, the Government was granted the full 60-day extension permitted under 28 U. S. C. 2101(c) by the Chief Justice's Order of May 23; namely, "to and including August 1, 1977." [See p. 5, ¶ 6 *supra*] Nevertheless, the Government failed to file any petition within the period of that extension, although the "Questions Presented" by the petition as filed November 9, 1977 are **admittedly** premised on the Court's Opinion and Judgment of December 15, 1976.

Even if it were assumed, *arguendo*—which the Petition does not suggest—that there was any uncertainty or ambiguity in the Court of Claims' Opinion and Judgment of December 15, 1976, regarding the 2% royalty rate as determined thereby, any such uncertainty or ambiguity was settled definitively by the Court of Claims' Order of June 21, 1977; specifically by the "direction" therein to the Trial Judge "for recomputation" of Respondent's royalty compensation:

"The 2% royalty rate should then be applied to the royalty base (as mandated by the opinion of December 15, 1976)."

It is beyond question that that Order of June 21, 1977—with respect to which neither party sought rehearing,

reconsideration or modification—fixed once and for all the final date by which a petition for certiorari in this matter could be taken; namely, 90 days after the date of that Order, i.e., by not later than September 19, 1977.

As the subject Petition was not filed until November 9, 1977, it is too late under the Chief Justice's Order of May 23, and also too late in relation to the Court of Claims' Order of June 21, 1977.

The Government purports to rely, for the timeliness of its Petition, on the Court of Claims' Order of July 12, 1977. However, by that Order [Pet. App. D, pp. 113a-115a] the Court of Claims merely entered its monetary judgment for Respondent. Moreover, the Government does not even suggest in its Petition that the Order of July 12, 1977 made any modification in the determination of the Court of Claims regarding the 2% royalty rate, as mandated by its Opinion and Judgment of December 15, 1976 and as confirmed by its supplemental "directions" Order of June 21, 1977. Therefore, the Order of July 12, 1977 did not start anew the period within which Petitioner could seek review on the Court of Claims' determination of the 2% royalty rate as settled by its Opinion and Judgment of December 15, 1976.

The Controlling Principle of Law Regarding the Jurisdiction of This Court Under 28 USC 2101(c).

Unless a petition for certiorari is filed within the period allowed by law, i.e., as prescribed by 28 U. S. C. 2101(c) [see page 3, *supra*], the Supreme Court is without jurisdiction to entertain the petition or to review the lower court's judgment upon which the questions presented by the petition are premised. *Department of Banking, etc. v. Pink*, 317 U. S. 264, 63 S. Ct. 233 (1942); *Federal Trade*

Commission v. Minneapolis-Honeywell Regulator Co., 344 U. S. 206, 73 S. Ct. 245 (1952).

Upon that principle, the subject Petition should be denied in light of the facts set forth in Respondent's **Statement on Jurisdiction** at pages 3-7, *supra*.

In *Pink*, *supra*, this Court dismissed the petition for certiorari "on the ground that it was not filed within the time provided by law;" namely, within three months (as then imposed by 28 U. S. C. 350, the predecessor of 28 U. S. C. 2101(c)), from the order of the New York Court of Appeals dated June 18, 1942 affirming the earlier judgment of the Supreme Court of New York.

The following pronouncements in *Pink*, *supra*, are particularly applicable to the factual situation in the present case. Thus, with respect to the timeliness of petitions for certiorari, "for the guidance of the Bar" the Court referred to the practice in some earlier cases in which the period for applying for certiorari "has on occasion been computed not from the judgment or the order of the New York Court of Appeals, but from the judgment subsequently entered by the lower court upon the Court of Appeals' remittitur." Regarding that practice, this Court went on to say:

"This practice, which is a departure from the rule applied to cases from other states, is inconsistent with our many decisions on the nature of a final judgment under § 237 of the Judicial Code, 28 U. S. C. § 344, 28 U. S. C. A. § 344, and cannot be sanctioned. See especially Chief Justice Waite's opinion in *Mower v. Fletcher*, 114 U. S. 127, 5 S. Ct. 799, 29 L. Ed. 117, where a state appellate court's judgment was held to be final and reviewable when it ended the litigation by fully determining the rights of the parties, so that nothing remained to be done by the lower court except the ministerial act of entering the judgment

which the appellate court had directed. See also *Wurts v. Hoagland*, 105 U. S. 701, 702, 26 L. Ed. 1109, and *Clark v. Williard*, 292 U. S. 112, 117, 118, 54 S. Ct. 615, 78 L. Ed. 1160.

• • •

"Where the order or judgment is final in this sense, the time for applying to this Court runs from the date of the appellate court's order, since *the object of the statute is to limit the applicant's time to three months from the date when the finality of the judgment for purposes of review is established.*" [317 U. S., 267-268]

In the subject Petition, the first statement on Jurisdiction is that, "The Court of Claims announced its opinion with respect to the questions presented here on December 15, 1976, . . ." The Petition further admits that "the trial judge's findings of fact or his two opinions on remand . . . do not bear upon the questions presented." [Pet., p. 1, footnote] Therefore, in accord with the above-stated principles in *Pink, supra*, the Opinion and Judgment of December 15, 1976 herein fully determined the rights of the parties in respect to the questions presented by the Petition. Nothing remained to be done by the Trial Judge except the ministerial act of computing the amount of Respondent's compensation "in accordance with" and "under the Opinion," and pursuant to the "directions" specified in the Court of Claims' subsequent Order of June 21, 1977.

Respondent submits that those same principles, as more fully developed in *Federal Trade Commission, supra*, mandate the dismissal of the subject Petition. In that decision, Mr. Chief Justice Vinson, delivering the Opinion of the Court said:

"The initial question in this case is one of jurisdiction—whether the petition for certiorari was filed within the period allowed by law. [28 U. S. C. 2101(c)] We hold that it was not." [344 U. S. 207]

• • •

" . . . we cannot hold that the time for filing a petition for certiorari was enlarged simply because this paper ^[3] may have prompted the court below to take some further action ^[4] which had no effect on the merits of the decision that we are now asked to review in the petition for certiorari." [p. 211]

• • •

"Thus, the mere fact that a judgment previously entered has been *reentered or revised in an immaterial way* does not toll the time within which review must be sought. Only when the lower court *changes matters of substance*, or *resolves a genuine ambiguity*, in a judgment previously rendered should the period within which an appeal must be taken or a petition for certiorari filed begin to run anew. The test is a practical one. The question is whether the lower court, in its second order, has disturbed or revised legal rights and obligations which, by its prior judgment, had been plainly and properly settled with finality." [pp. 211-212]

3. Corresponding herein to the Orders on remand to the Trial Judge "for the computation" and the "recomputation" of the "precise amount of recovery" *in accordance with and under the Opinion and Judgment of December 15, 1976.*

4. Herein, the Order of July 12, 1977, wherein judgment was entered for the dollar amount of Respondent's compensation.

By its Order of July 12, 1977, the Court of Claims has reentered the "Judgment" first "entered" on December 15, 1976, merely specifying the dollar amount of Respondent's royalty and delay compensation. The amount of such compensation was determined "in accordance with" and "under the opinion" as prescribed by its Conclusion of Law and Judgment of December 15, 1976, and as supplemented by the "directions" to the Trial Judge in the Court of Claims' Order of June 21, 1977. The Order of July 12, 1977 had no effect on the merits of the Court of Claims' Opinion and Judgment of December 15, 1976, nor did it change any matters of substance or resolve any ambiguity in that decision.

In light of the 26-year history of this litigation, and in light of the history of the subject Petition and the extensions of time sought and granted therefor, the most pertinent portion of Judge Vinson's pronouncements in *Federal Trade Commission, supra*, is:

" . . . we do mean to encourage applicants to this Court to take heed of another principle—the principle that *litigation must at some definite point be brought to an end*. It is a principle reflected in the Statutes which limit our appellate jurisdiction to those cases where review is sought within a prescribed period. Those Statutes are not to be applied so as to permit a tolling of their time limitations because some event occurred in the lower court after judgment was rendered which is of no import to the matters to be dealt with on review." [p. 213]

CONCLUSION ON JURISDICTION

For the several reasons set forth hereinabove, the Petition should be dismissed for want of jurisdiction.

STATEMENT OF THE CASE ON THE QUESTIONS PRESENTED BY THE PETITION

Respondent does not agree with a number of assertions made by Petitioner in its **Statement**. However, since those points of disagreement are not significant in relation to the Questions Presented, or to Petitioner's arguments thereon, we will not burden the Court with correction or restatement of those points of difference, although some of such points are referred to in the following Argument.

ARGUMENT

Introduction

This litigation commenced in the United States Court of Claims in September, 1951, and encompasses all of the Government's unlicensed helicopter procurement subsequent to World War II through May, 1964. This action was instituted following several years of efforts by the Autogiro Company of America (Respondent's predecessor)⁵ to have the Government continue its World War II policy of procuring rotary wing aircraft from manufacturers who were licensed by Autogiro.

During World War II, United Aircraft Corporation and Nash-Kelvinator Corporation were the only manufacturers for the Government of production (as distinguished from experimental) helicopters. At the request and direction of the Undersecretary of War, both of those companies entered into licenses with Autogiro for all of their wartime helicopter production. Those wartime licenses terminated on March 2, 1946, i.e., six months after the cessation of hostilities.

5. Hereinafter, plaintiff below will be referred to, interchangeably, as Autogiro or Respondent.

In the immediate post-war period 1946-1949 (and even to this day), the Government continued to dominate the U. S. rotary wing aircraft industry. All new development funds for rotary wing aircraft came from the Government, the market for helicopters was predominantly the Government, and most of the helicopter production in that period was for the Government.

In 1946 the Government was informed by two of its helicopter suppliers (United Aircraft Corporation and Piasecki Helicopter Corporation) that the helicopters they were manufacturing for the Government infringed a number of Autogiro's patents.

During active negotiations with Autogiro for a post-war license under its patents, Piasecki was informed by the Government in 1948 not to be concerned with any further discussions with Autogiro regarding a license, because the Government was going to deal with Autogiro's patents as a group and issue free licenses to the helicopter industry, and **would not require Piasecki to indemnify the Government** for infringement of Autogiro's patents, although it was then contractually obligated to do so.

The Government's first post-war helicopter contract with United Aircraft (dated in Feb. 1946) had contained a special royalty clause providing for an increase of up to 5% in the contract price for the procured helicopters, in the event United became contractually obligated to pay royalties thereon to Autogiro.

While negotiating a subsequent production contract with the Government, in September, 1948 United's representative was advised that the Government would not approve a provision in that contract for similar royalty payments to Autogiro, as it would tend to deprive United of any incentive to resist the licensing demands of Autogiro. United was also instructed by the Government not

to enter into any agreement with Autogiro without Government approval, and that United should strongly resist Autogiro's licensing demands. The Government proposed, as an alternative to including that special royalty provision in the contract, that the patent indemnity clause thereof could be modified **to exclude the claims of Autogiro**—just as the Government had also informed Piasecki.

In Autogiro's efforts, during that same period (1946-1948), to negotiate directly with Government representatives, they finally informed Autogiro's representative that if the Government procured infringing helicopters from unlicensed sources, Autogiro's only recourse would be to sue the Government in the Court of Claims, and that by the time Autogiro got anywhere with that suit, all its patents would have expired!

After a 182 day trial on the issues of patent validity, infringement and license, and after full review of the opinion and findings of Trial Commissioner Donald E. Lane on those issues, in October, 1967, the Court of Claims entered its Judgment on liability in favor of Respondent on 11 patents held to be valid and infringed by the Government's helicopters procured from 5 different manufacturer sources.

Following several years of extensive discovery by both parties pertaining to the accounting, the case was reassigned, by special designation of the Chief Justice, to Judge Donald E. Lane of the United States Court of Customs and Patent Appeals for trial and report on the accounting issues. Those proceedings (including a 69-day trial) resulted in an opinion⁶ and findings by Judge Lane recommending royalty compensation to Respondent in the amount of \$24,570,525, based upon Respondent's 5% established royalty which Judge Lane found to have existed

6. Appendix A of the Petition.

at and prior to the commencement of the Government's post-war unauthorized appropriation of the inventions of Respondent's patents. That recommended royalty amounted to about 3.85% of the stipulated prices of the infringing procurement.

Following the Government's exceptions to Judge Lane's opinion and findings pertaining, *inter alia*, to that recommended royalty compensation, the Court of Claims upheld Judge Lane's royalty award to the extent of \$14,440,772, which is 2% of the *adjusted total retail sale value* of the infringing procurement.

In the Government's Brief to the Court of Claims on its exceptions to Judge Lane's royalty award, the Government invited and urged the court to apply the 2% royalty rate *as a ceiling* on Respondent's royalty compensation. Instead, the Court adopted the 2% rate for computing "the reasonable royalty" for which it has entered Judgment. The dollar difference (\$24,850) is insignificant.

Petitioner now objects to the Court of Claims having used the 2% rate at all, and instead, contends that it should have used a rate of 0.13% based on the testimony of its witness Glassman ("The Glassman defense", see pp. 29-30, *infra*).

In view of the history and background of this case, this Court should finally terminate this 26-year litigation by denying the subject Petition for the following reasons.

Reasons Why the Petition Should Be Denied

I. The first of Petitioner's "Questions Presented" is **not raised by the case** (contrary to Petitioner's assertion), because the Court of Claims **did not measure** Respondent's royalty compensation "solely" by the "licensing offers" and the "licensing agreement's royalty provisions" referred to in that first question. On the contrary, the court reached

its conclusion as to "the reasonable royalty" it has awarded Respondent, from a large body of conflicting evidence, and was justified in giving great weight to the "licensing offers" and "royalty provisions" as to which Petitioner now complains, because, *inter alia*, **Petitioner itself introduced and vouched for that evidence.**

II. The Court of Claims did not err in disregarding or discounting the "amounts actually paid" under a certain license agreement (*viz.*, the 1949 United agreement) as asserted in the second of Petitioner's "Questions Presented",

- (a) because the Government dominated the post-war market for licenses under Respondent's patents, and the "amounts actually paid" were agreed to after the Government's dominance had destroyed the validity of market price as a measure of value,
- (b) because the "amounts actually paid" for a paid-up license cannot be converted to a percentage royalty in the absence of competent evidence of the dollar volume of licensed production during the term of the paid-up license—and *there was no such competent evidence*, and
- (c) because, in addition to the "amounts actually paid" for that paid-up license, it also granted to Respondent certain license rights under United's patents, *as to the value of which there is no evidence in the record.*

III. The Court of Claims did not err in disregarding the testimony and exhibits relating to the asserted offer by Autogiro in 1948 to sell its patents,

- (a) because Petitioner did not submit to the Court of Claims any exception to, or request the Court

of Claims to reverse, Judge Lane's ruling which excluded such testimony and/or exhibits,

- (b) because Petitioner did not even request the Court of Claims to make any findings based on such testimony and/or exhibits, and
- (c) because, even if such testimony and/or exhibits were admissible, that offer occurred after the Government had dominated the market for helicopters.

IV. The "Questions Presented" are of no precedential interest.

I. This Case Does Not Raise the First of the Questions Presented by the Petition.

Petitioner's first Question Presented is based on its fallacious premise that, in determining that a royalty rate of 2% applied to the total retail sale value of the infringing procurement is a "reasonable royalty", the Court of Claims arrived at that conclusion "*solely*"

- (1) on the "royalty provisions" of the 1947 license agreement between Autogiro and United Aircraft, and
- (2) on Autogiro's offers in 1947 and 1948 of similar licenses to other manufacturers.

That question is not raised by this case (as the Petition asserts it is), because in reaching its decision the Court of Claims considered not only those "royalty provisions" and "offers" but also a mass of other evidence, much of which was conflicting in nature.

With respect to this aspect of that "Question", probably the most important facts are

- (1) that the evidence of which Petitioner now complains was **offered by and received on behalf of Petitioner** [Respondent's Appendix C, *infra*, pp. 16a-17a];
- (2) that in its Brief to the Court of Claims, Petitioner vouched for the integrity of that evidence, characterizing its "probative value" as being "greatly enhanced" [see Respondent's Appendix D, *infra*, p. 19a];
- (3) that in that Brief Petitioner represented and urged that "**Plaintiff's Postwar Offer of a Package License at 2% Places a Ceiling on its Recovery**", and that, "Therefore, plaintiff's own actions set a *maximum ceiling of 2%* on its recovery in this post war accounting period." (Emphasis is Petitioner's) [Resp. App. D, pp. 18a & 20a]; and
- (4) that in that Brief Petitioner also invited the Court of Claims to consider that evidence, in connection with the evidence which Respondent had introduced and on the basis of which Trial Judge Lane had recommended a royalty award amounting to about 3.85% of the cost to the Government of the infringing procurement; to wit,

"In the alternative, *even if* the Court were to accept the Trial Judge's conclusion that the *defendant's compulsory compensable license* was fixed in November, 1946, and, therefore, *comprised the [5% royalty rate] provisions of the Firestone '44 agreement* signed in March of that year [1946], the *plaintiff's January 7, 1947 offer to United and its acceptance of the [2% rate of the] 1947 agreement would operate as a ceiling on plaintiff's recovery.*" [Resp. App. D, p. 20a].

In this connection, it is significant that in its STATEMENT, Petitioner itself describes the Court of Claims' *reconciliation* of those two rates by referring to Judge Lane's recommendation of "royalty compensation of \$24,570,525, i.e., approximately 3.85 percent . . .", and then saying, ". . . the Court of Claims upheld [that] compensation award to the extent of \$14,440,772 . . ." [Petition, p. 7]

Another important fact which bears on Petitioner's first Question Presented, is that the Court of Claims accepted⁷ Petitioner's position on the significance of Autogiro's 2% post-war royalty rate, to the extent of considering **Petitioner's proffered evidence** (now complained of) along with **all the other evidence** set forth in its Opinion and Findings, some of which it "accepted," some of which it "discounted," and some of which it "rejected."

Thus, in its Opinion the court began [Pet. App. B, p. 43a] by recognizing that the length of the recovery period—18 years—made it difficult to fix upon a single royalty rate. (During the period in question, some patents expired, other patents were issued, and new models of helicopters were procured.)

The court considered in detail the nine licenses under which Autogiro received patent royalties during the period 1932-1946. [Pet. App. B, p. 43a; and Resp. App. B, Findings 466-473, pp. 5a-15a]

The court said that it "put aside the [.85%] wartime rate" [Pet. App. B, p. 44a; Resp. App. B, Finding 468, pp. 10a-12a], because of the difficulty of equating what it called the "very low-level wartime rate with fair market

7. Specifically, in connection with the 1947 United agreement, which Petitioner in its Brief had characterized as having "greatly enhanced . . . probative value," the Court of Claims said, in its Opinion [Pet. App. B, p. 49a], ". . . the 2% United agreement seems to us highly probative . . ."

value for the post-war period or with an established post-war license policy." [Pet. App. B, p. 45a]

The court "rejected" the pre-war rates, and stated in a footnote [Pet. App. B, p. 45a] that a license granted to Firestone in March 1946, in which the pre-war rates were still effective, should be considered a pre-war license, presumably because the court considered that a transition point had been reached as of January 1, 1947, when the license with United, providing for the 2% royalty, became effective.

The court found that the 2% rate which was "offered freely to everyone" [Pet. App. B, p. 52a], was Respondent's post-war rate, not only for the reasons noted above, but also on the observation that patents can *decline* in value by reason of approaching expiration, and by reason of increased procurement which would permit lower royalty rates [Pet. App. B, p. 48a].

The court also pointed out [Pet. App. B, pp. 46a, 52a footnote 15] that once suit against the Government was instituted in 1951, "everyone concerned awaited the end of the litigation." The significance of that statement lies in the recognition by the court that no one would take a license after it had become completely clear that Respondent was, indeed, compelled to pursue, as its only practical remedy, a "grinding litigation" against the Government. It is here that the significance of the court's use of the word "decline" emerges. The court saw that the *market value* of a license under Respondent's property did "decline" from the pre-war level of 5% to zero in 1951. And it distinguished between the causes for the decline which have been referred to above, i.e., the expiration of patents and the like, on the one hand, and the depressing effect of the Government's increasing domination of the market for helicopters, on the other hand.

In connection with that post-war decline, the Court of Claims had before it a memorandum [Plaintiffs Accounting Exhibit PA 262, Respondents Appendix E, *infra* pp. 21a-38a], which had been prepared in June 1948 by C. Blake Townsend, Esq., *United's outside patent counsel*, for the top management of United. In that memorandum Townsend stated that the picture had changed markedly in the preceding two years, because two years earlier (in 1946) United's market had appeared to be primarily commercial as opposed to Governmental, whereas in June of 1948, the situation was exactly reversed.⁸ This meant, Townsend said, that since United's commercial production was so small, Autogiro could hardly justify the expense of suit against United with respect to its commercial production, and that United had nothing to fear from a suit under 28 U. S. C. 1498 since Autogiro (a) could not obtain injunctive relief in such a proceeding, and (b) such a suit would take many years to complete.⁹ [Resp. App. E, pp. 26a & 27a]

Townsend's memorandum was implemented by a July 1948 letter from United to Autogiro, from which the court quoted extensively in footnote 11 of its Opinion [see Pet. App. B, p. 49a]. In the second paragraph of that *quotation*, United points out that by far the greater part of its sales would be to the Government and that any suit based on those sales would have to be brought against the Government in the Court of Claims.

8. Contrast that assessment by Mr. Townsend in June 1948, with Petitioner's assertion in November 1977, which is fabricated out of thin air: "*Nothing occurred between 1947 and 1949 to alter the essential bargaining positions of Respondent and United as willing seller and buyer.*" [Pet., p. 16, footnote]

9. Compare Petitioner's distortion of that same situation—of course without any reference to Mr. Townsend's Memorandum—in its specious argument on page 15 of the Petition.

In that same footnote, after the quotation, the Court of Claims makes the significant comment [bottom of Pet. App. A, p. 49a] that, since that letter (defendant's accounting exhibit DA-17-6) was written after the 1947 United agreement became effective, it "can not retroactively turn the 1947 pact into a compromise-to-avoid-litigation . . .", thus clearly implying that the letter was evidence that the summer of 1948 was the turning point, after which the market price of Respondent's property significantly reflected the effect of the Government's dominance.

The court also *found* [Finding 471, Resp. App. B, p. 14a] that in August 1948 the Government

"... advised plaintiff that it was the position of the Chief, Patents Branch, Department of Army, that Plaintiff could sue the Government in the United States Court of Claims, but by the time it got anywhere, *all of its patents would have expired.*"

In its Opinion the court *recognized* that the turning point was in 1948, when it confronted the question as to whether the royalty rate to be used in computing Respondent's compensation should be set lower than 2%, saying:

"The patentee's situation was unusual in that the Government was *the dominant consumer* of the articles embodying the patents, and this put the Plaintiff to a disadvantage since it was very unlikely that an injunction could be obtained against United (or other infringers). **We therefore discount . . .** Autogiro's granting to United, at the latter's strong insistence, of a paid-up license in 1949." [Pet. App. A, p. 51a]

Similarly, the court criticized the Glassman defense (see Section II of this Brief), because Mr. Glassman

" . . . did not consider *Plaintiff's hobbled position* in trying to determine what the 'parties might well have agreed upon' . . . if Autogiro had been relatively free of *this one-sided litigation pressure*." [Pet. App. B, p. 52a]

On the basis of all of this evidence, the court felt constrained to find an appropriate royalty rate lower than Judge Lane's net 3.85%, because of factors other than Government dominance as discussed above, but higher than the wartime rate of .85%, which it rejected as too low. It thereupon accepted **Petitioner's invitation** to use the only benchmark falling in the range .85% and 3.85%; namely, the "highly probative" 2% rate.

The determination by the Court of Claims of "the reasonable royalty" in the present case is in full accord with the rule of *General Motors Corporation v. Dailey*, 93 F. 2d 938, 941 (CA 6, 1937):

"Bearing in mind the previous holding of this court that *the diminished royalty rate* to which the patentee may have been driven in individual cases *by the disrepute of his patent and the open defiance of his rights should not be taken as the true measure of reasonable royalty* where no established royalty is shown, and the fact clearly proved that a number of companies infringed from 1917 on, . . . we think that the determination of the District Court complied with the rule . . . that reasonable royalty must be determined from proofs of acceptance, utility, value, and demand, and upon the hypothesis that the patent was valid and would be respected. . . . To draw the proper conclusion from these conflicting facts *called for the exercise of judicial discretion* by the District Court and we cannot say that such discretion was not properly exercised."

The Court of Claims in the present case did not set the level of Respondent's royalty compensation "solely" on the basis of the evidence Petitioner introduced, but now complains of. On the contrary, it resolved conflicts involving that and other evidence, and exercised its judicial discretion within the limits imposed by applicable law to arrive at "the reasonable royalty" which it determined in light of all the evidence it had before it. Thus, in its Opinion [Pet. App. A, p. 51a], after having reviewed and analyzed Autogiro's licensing history from 1932 through 1947 (see p. 43a last paragraph through p. 50a), the Court of Claims said:

"All this means that the post 1946 United agreement at 2% as well as the post 1946 offers made by Autogiro at that same level—plaintiff's own position deliberately taken in 1947 and 1948—have a *prima facie* title to acceptance as the reasonable royalty for 1946-1964."

In so determining Respondent's reasonable royalty compensation," the Court of Claims committed no reviewable error.

II. The Court of Claims Did Not Err in Disregarding or Discounting the "Amounts Actually Paid" Under the 1949 United Agreement, as Charged by the Second of Petitioner's Questions Presented.

First. The "amounts actually paid" under the 1949 United agreement were the amounts agreed to in late 1948, and were incorporated into that agreement.

As we have seen, the Townsend memorandum of June 1948 [Resp. App. E, pp. 21a-38a], the United-to-Autogiro

letter of July 1948, and the Government's position expressed to Autogiro in August 1948 that Autogiro could sue in the Court of Claims, but that suit would not get anywhere until after all of Autogiro's patents had expired—all signalled the fact that Autogiro's bargaining position **had then been destroyed**, and *that the market price of licenses under Autogiro's patents was no longer a meaningful basis for measuring Respondent's just compensation* under 28 U. S. C. 1498.

The applicable principle of law is well settled:

"The Court early recognized that the 'market value' of property condemned *can* be affected, adversely or favorably, by the imminence of the very public project that makes the condemnation necessary. And it was perceived that to permit compensation to be either reduced or increased because of an alteration in market value attributable to the project itself would not lead to the 'just compensation' that the Constitution requires." *United States v. Reynolds*, 397 U. S. 15, 16 (1970).

"If an area has been made a wasteland by the condemning authority, the property owner should not be obliged to suffer the reduced value of his property." *City of Detroit v. Cassese*, 376 Mich. 311, 318, 136 N. E. 2d 896 (1965).

"This then is the contention, that the municipality, in the furtherance of public ends, having stripped the land of nearly its entire value . . . is to be allowed to acquire the land by paying a sum measured by the little value the municipality has left in it. Such a result would be a travesty on the constitutional provision which requires, in all such cases, just compensation to be made for the property taken." *South Twelfth Street*, 217 Pa. 362, 366 (1907); *Herman v. North Penn Railroad*, 270 Pa. 551, 554 (1921).

Second. The 1949 United agreement, for present purposes, provided that United (1) pay a lump sum in advance, and (2) grant rights to Autogiro under United's patents, in exchange for a paid-up license under Autogiro's patents until the last of them should expire. [Def. Ex. 259] No *percentage* royalty figure was involved.

Therefore, the "amounts actually paid" under the 1949 United agreement were completely meaningless unless there was competent evidence of the **value of the license rights granted by United to Autogiro**, and competent evidence of the **dollar value of the helicopters produced by United during the term of the agreement**. The Government did not proffer any evidence at all as to the value of the United-to-Autogiro license, or as to the actual dollar sales of United after 1948!

Instead, through the speculations of its witness Glassman, Petitioner attempted to penetrate the mind of Autogiro's long-dead president, not only to the extent of testifying as to what Autogiro's president "knew" in 1948, but even to the extent of testifying as to what he "could have anticipated." [Pet. App. B, p. 103a] Thus, Glassman testified that Autogiro's president in 1948 "could have anticipated" that United's sales from 1946 to 1964 would amount \$132 million dollars, and adding that figure to United's sales of about \$9.8 million dollars before January 1, 1949, and taking the royalties paid under the 1947 agreement (\$63,500), plus the cash payment (\$120,739) by United to Autogiro in January 1949—totaling about \$184,239—, Glassman then set up an equation [Pet. App. B, footnote #s 5, 6 & 7 on pp. 105a & 106a]:

$$\frac{184,239}{9.8 \text{ million} + 132 \text{ million}} = .13\%$$

If Glassman had acknowledged his ignorance of the value of the United-to-Autogiro license rights, his equation would have been:

$$\frac{184,239 + ?}{9.8 \text{ million} + 132 \text{ million}} = ?$$

And the equation really should have been:

$$\frac{184,239 + ?}{9.8 \text{ million} + ?} = ??$$

because whatever Glassman's expertise may have been, it could not enable him to "calculate" what someone he never knew "could have anticipated" would have been produced by United over the 16 years next beyond 1948.

Of course, Trial Judge Lane rejected the Government's proposed findings based on such rank speculations, and of course, the Court of Claims discounted and disregarded it. There is surely no reviewable error here.

III. This Case Does Not Raise the Parenthetical Question Presented by Petitioner.

The second of Petitioner's Questions Presented refers, in *parentheses*, to "rejected sales offers". The Petition at page 5 states that "Respondent proposed that United purchase the patents outright for \$750,000." In support of that statement the Petition cites "App. B, *infra*, p. 46a; Def. Ex. 17-3, pp. 7-10; Def. Exs. 19-8, 19-9, 19-10, 19-11 (offers of proof)".

Page 46a of Appendix B is a part of the *Per Curiam* Opinion of the Court of Claims. That opinion does not mention the transaction in question, at page 46a or elsewhere.

None of the six exhibits cited by Petitioner, including 17-3, is in evidence. All were excluded by Trial Judge Lane. Petitioner admits this in footnote 4 (p. 5) of its Petition, where it also refers to page 95a of its Appendix B. That page is part of Judge Kashiwa's *dissenting* opinion—certainly no basis for a statement of fact. Petitioner does *not* tell this Court that it *did not except* to Trial Judge Lane's ruling.

In any case, since the record clearly shows that (1) that "evidence" was excluded by the Trial Judge, and (2) Petitioner did not except to the ruling (although persisting in arguments based on the excluded evidence), the Court of Claims could not "disregard" such evidence; it was not *evidence* before the court.

In addition, the asserted offer to sell did not occur until after the Government achieved dominance of the helicopter market, as discussed *supra*, and therefore it is of no probative value. See *U. S. v. Reynolds* and other cases cited at page 28, *supra*.

IV. The Questions Presented Are of No Precedential Interest.

A. At page 11, the Petition states that since the Court of Claims is the only forum empowered to hear patent suits under 28 U. S. C. 1498, no square conflict of decisions will ever arise among the lower federal courts, and that this case should, therefore, be reviewed

" . . . in order to reaffirm the prior settled *understanding* that the proper measure of damages in such cases is established by *operative licensing agreements* to which the patent holder is a party. . . ."

In the first place, whatever may be Petitioner's "understanding"—and noting that it cites no authorities in sup-

port—it is not the law that in patent infringement suits against the Government or against anyone else, damages may be established *only* by operative licensing agreements. What of the patent holder who has never granted a license?

Furthermore, in both private infringement actions under 35 U. S. C. 281 and actions under 28 U. S. C. 1498, the standard is the same; namely, that the compensation be “reasonable.” If there is an *established royalty*, both the district courts and the Court of Claims prefer to use it as a guideline for determining what is a reasonable royalty. On the other hand, where there is no *established royalty*, the district courts and the Court of Claims will follow the procedure approved by the Sixth Circuit in *General Motors v. Dailey*, *supra*, as the Court of Claims did in this case.

It follows that the decisions of the Court of Claims in this area are not *sui generis*, and review on that ground is not justified.

B. At page 13, the Petition asserts that the decision below conflicts with the rule of *Rude v. Westcott*, 130 U. S. 152, regarding *established royalty*. That case sets forth the criteria by which courts determine whether a royalty rate has been so firmly established that no other evidence need be considered in determining the reasonable royalty to be awarded the patent owner. The fact that the *Rude* criteria are not met does not mean that there can be no award—it merely means that the court must consider other evidence to arrive at a *reasonable royalty*, as the Court of Claims did in this case.

We have demonstrated hereinabove that the Court of Claims did not base its awarded royalty “solely” on the royalty provision of the 1947 United agreement, and/or on Autogiro’s offers during 1947-48 of similar licenses to others. Instead, the Court of Claims reached its conclusion, as stated in its Opinion (Pet. App. B, p. 51a), as to

“the reasonable royalty” which it awarded Respondent, only after it had reviewed and analyzed Autogiro’s licensing history from 1932 through 1947.

C. In the first full paragraph on page 16, the Petition states that the decision of the Court of Claims invites *claimants* in patent infringement and eminent domain suits to *introduce* self-serving evidence of unaccepted offers and unimplemented contracts as proof of value. Petitioner then goes on, by the device of quoting from an opinion of this Court, to characterize such evidence as “unsatisfactory, easy of fabrication and even dangerous . . .”, and to raise the specter that such “claimants” would be capable of fabricating evidence and the like. Although those statements do not identify Respondent as the offeror of the evidence of which Petitioner now complains, the implication is clear. Moreover, the care with which Petitioner has avoided direct accusation of Respondent is comparable to the care with which Petitioner also has avoided, throughout its Petition, making any statement from which the Court could possibly learn that **it was Petitioner**, not Respondent, who introduced the evidence in question, and that **it was Petitioner** who vouched for it and for its “greatly enhanced . . . probative value” before the Court of Claims. Absent such tactics, Petitioner could not have posed its “claimants” and “ease of fabrication” arguments.

D. In the next sentence of the Petition, it seems to be saying that when the Government becomes a dominant user of an invention, that triggers the Court’s disregard for actual market value as established between the patent holder and third persons. It is certainly true, as this case demonstrates, that **the domination of the marketplace by the Government destroys the only price structure to which the Court of Claims can look for guidance in determining just compensation**, and that as a consequence, the Court of Claims is compelled to rely on the price structure as it

existed prior to the Government's acquisition of dominance, and to disregard prices which reflect that dominance, whether they be higher or lower than the historical ones. *United States v. Reynolds, supra*; also *General Motors v. Dailey, supra*.

It is the Government's domination of the marketplace that "augurs larger judgments in patent compensation cases", not the rulings of the Court of Claims on questions of evidence. Therefore, the last paragraph of the Petition is a *non sequitur*. Certainly the Government can be relied upon to distinguish this case from future cases in which *claimants*, rather than the Government, seek to rely on evidence which does not have the "probative value" the Government attributed to the evidence it adduced before and urged on the Court of Claims.

E. Petitioner's make-weight *res judicata* argument has become moot. As the result of discovery obtained by Respondent, in installments, throughout the last several months (the latest on December 21, 1977), Respondent has determined that none of the aircraft involved in the other two "actions" to which the Petition refers, infringes Respondent's patents in those actions, or, in respect to one of those patents, that the patentee-inventor was apparently not the first inventor. Accordingly, Respondent has submitted to Petitioner's attorneys and to the Court of Claims a proposed stipulation to dismiss those actions.

CONCLUSION.

What Petitioner ultimately seeks is *not* review based on its fallaciously premised "Questions Presented", but instead, a declaration by this Court that, "The Court of Claims . . . erred in rejecting the implemented paid-up [1949] licensing agreement between Respondent and

United as *the* proper measure of compensation". (Petition, p. 14, ¶ 2).

If this Court were to issue the Writ, the return would show that:

1. The paid-up licensing agreement between Respondent and United was incapable of use by the Court of Claims "as *the* proper measure of compensation", because the royalty prescribed by it was expressed as a single dollar amount, rather than as a percentage of sales.
2. That agreement granted license rights to Respondent under United's patents, and the record includes no evidence of the value of those rights.
3. The record includes no evidence of United's actual sales during the term of that agreement, or even through May 1964, the end of the accounting period of this case.
4. The record includes evidence that the amount paid by United under that agreement was determined *after* the Government's dominance of the market for Respondent's property had destroyed the market price thereof.
5. The Trial Judge rejected that agreement as any measure of compensation.
6. The Court of Claims by its *Per Curiam* Opinion rejected that agreement as any measure of compensation.
7. The Court of Claims in its *Per Curiam* Opinion considered a mass of evidence, much of it conflicting, and found *as a fact* that a 2% royalty rate would provide Respondent a "reasonable royalty."

On that record, a reviewing court could not hold that it was error for the Court of Claims to have "disregarded", or as the Court said in its Opinion, "discounted", the paid-up license, or that it was error to reject it "as the proper measure of compensation."

The Petition should be denied for the several REASONS summarized at pages 18-20, *supra*.

The Petition should also be dismissed for want of jurisdiction, as it was not filed within the period allowed by law (see pages 3-14, *supra*).

Even if there were any substance to the "Questions Presented" by the Petition, it should be denied for *Petitioner's failure to inform the Court* that the evidence, of which it now complains relative to the first of the "Questions Presented", was adduced, vouched for and relied upon *by Petitioner*, not by Respondent.

Likewise, the Petition should be denied for *Petitioner's failure in its statement on JURISDICTION* to inform this Court regarding the Court of Claims' Order of June 21, 1977, by which the 2% royalty rate, as determined by the Opinion and Judgment of December 15, 1976, was confirmed and finalized, thus fixing the latest possible date (viz., September 19, 1977) by which any petition for certiorari could be filed in this case under the provisions of 28 U. S. C. 2101(c).

Respectfully submitted,

J. EDWARD SHINN,
Attorney for Respondent.

WILLIAM P. COLE,
Of Counsel.

APPENDIX A.

Order of June 21, 1977.

IN THE
UNITED STATES COURT OF CLAIMS

No. 50328

STEPHEN PITCAIRN, AGENT (SUBSTITUTED
FOR AUTOGIRO COMPANY OF AMERICA)

v.

THE UNITED STATES

J. Edward Shinn, attorney of record, for plaintiff. *William P. Cole*, of counsel.

B. Frederick Buchan, Jr. and *Thomas J. Scott, Jr.*, with whom was *Assistant Attorney General Barbara Allen Babcock*, for defendant. *Joseph A. Hill* and *Vito J. DiPietro*, of counsel.

Before DAVIS, *Judge*, Presiding, COWEN, *Senior Judge*, NICHOLS, KASHIWA, KUNZIG and BENNETT, *Judges, en banc*.

ORDER

This case comes before the court on Trial Judge Browne's memorandum opinion, supplemental findings of fact, and proposed conclusion of law (all submitted under Rule 131(c), our opinion and decision of December 15,

(1a)

1976, 212 Ct. Cl. —, 547 F. 2d 1106, and our order of March 4, 1977), which were filed on March 30, 1977, together with defendant's exceptions to supplemental findings, and its supporting brief, plaintiff's answering brief, and defendant's reply brief. This matter has been considered by the judges listed above *en banc*, and without oral argument.

The court does not adopt the trial judge's memorandum opinion, the proposed supplemental findings, or the proposed conclusion of law. Instead the court returns the case to the trial judge for recomputation of the amount of recovery, under the following directions:

1. For the years 1946 through 1948, the basic compensation will be \$500 per helicopter.

2. For the period 1949 through 1964, the basic compensation will be the sum of the stipulated prices of the helicopters¹ plus 10% of such stipulated prices (except for the Cessna and McCulloch helicopters as to which this 10% addition will not be made). The court is of the view that, with respect to the royalty base, this additional 10% is all that is necessary, under the record as it has been made, to compensate plaintiff in the manner prescribed by our opinion of December 15, 1976 (as modified by our order of March 4, 1977). The court considers the 40% increase in the royalty base suggested by the trial judge as far too high, and unsupported by the record as made by the parties.

3. With respect to spare parts, the court accepts, as did the trial judge, the original computation.

4. The 2% royalty rate should then be applied to the royalty base (as mandated by the opinion of December 15, 1977).

1. *I.e.* the royalty base found by Judge Lane.

5. With respect to delay compensation for the period after 1975, the court is of the view that the rate from January 1, 1976 to date of payment should continue to be 7½% (as it was prescribed to be for 1971-1975). Even considering the statistics of which the trial judge took judicial notice, we do not think plaintiff has "affirmatively demonstrated"² that under the theory of our opinion of December 15, 1976, the rate for the years after 1975 should differ from the 7½% rate set for 1971-1975.

6. The court is most anxious to terminate this very old and long-lasting litigation (so far as this court is concerned) as soon as possible, and to enter judgment before July 15, 1977 if at all possible. The trial judge is therefore requested and directed to give the highest priority to this matter and to compute the amount of recovery as expeditiously as possible. The parties are earnestly exhorted to aid in this endeavor and, without giving up or prejudicing any of their rights or claims, to facilitate the computation by the trial judge on the basis and within the time prescribed above.

IT IS SO ORDERED.

By THE COURT

/s/ OSCAR H. DAVIS
Oscar H. Davis
Judge, Presiding

June 21, 1977

2. See *Tektronix, Inc. v. United States*, 213 Ct. Cl. —, —, 552 F. 2d 343, 352 (March 23, 1977).

Judge *Kashiwa*: I do not agree with the trial judge's recommended decision. I disagree with the result reached above with respect to basic compensation. See my partial dissent of December 15, 1976.

Judge *Bennett*: For the reasons stated in my dissent to the court's opinion in this case at 212 Ct. Cl. —, 547 F. 2d 1106 (1976), I disagree with the result reached above with respect to the basic compensation.

APPENDIX B.

Court of Claims Findings 466-473.

466. The organization which eventually became the Autogiro Company of America, the original plaintiff herein, was founded by Harold F. Pitcairn in 1927. Pitcairn assembled a group of experts in the fields of engineering and aerodynamics. Among the group were James G. Ray, Agnew Larsen, Harris Campbell and Paul Stanley, and some of their patented inventions are here in suit. In pursuing his interest in rotary-wing aircraft, Pitcairn investigated the rotary-wing developments of Juan de la Cierva, a Spanish mathematician, aerodynamicist and inventive genius. In 1928 Pitcairn acquired the United States rights to Cierva's inventions, some of which are the subject of patents in suit. Pitcairn demonstrated the practical reliability by extensive flying of the C-8, including a 500-mile cross-country round trip in the spring of 1929 to Langley Field, Virginia, where it was successfully demonstrated to the National Advisory Committee for Aeronautics. Beginning in 1930 Pitcairn built the PCA-2 and 24 of them were sold, including three to the U. S. Navy in 1931, which were the first rotary-wing aircraft ever to operate from a U. S. Naval vessel, the aircraft carrier Langley. The PCA-2 was also the first rotary-wing aircraft certified for commercial production by the NACA. In 1931 Pitcairn also built two 300 h.p. PCA-3 for United Airports of Connecticut, a predecessor of United Aircraft Corporation which later became a licensee of the Autogiro Company. In 1931 Pitcairn and his associates designed

and developed the PAA-1, of which more than 20 were sold during the next two years. In 1932, they designed and built the PA-18, of which about 20 were sold. Also in 1932, they designed and produced the 5-place enclosed-cabin PA-19, which was the largest rotary-wing aircraft ever built and which went into service in the United States, England and Ireland for passenger and cargo transport. Pitcairn produced the first American rotor-control rotary-wing aircraft, the PA-22, which introduced a new era of practical aircraft in the United States; namely, control of the aircraft, both longitudinally and laterally, entirely through the rotor by cyclically changing the pitch of the rotor blades, and thus eliminating the need for any fixed wings, ailerons and elevators. During the period 1929 through 1942, Pitcairn and his associates designed and developed more than 10 different models and manufactured more than a hundred such aircraft, many of which were sold. A large number of United States patents resulted from the Cierva and Pitcairn developments of rotary-wing aircraft, and the technology of those developments became available to the art upon the issuance of those patents, of which the United States rotary-wing industry had complete knowledge. General H. Franklin Gregory, Chief of the Army Air Corps' Miscellaneous Aircraft Projects Office and the Officer in Charge of its major division, Rotary Wing Aircraft Research & Development, became acquainted with Pitcairn and his associates and knew of Pitcairn's acquisition of the U. S. rights to Cierva's developments and inventions. He also knew of the developments of the Pitcairn organizations, and that both the Pitcairn and the Kellett companies were manufacturing rotary-wing aircraft under licenses granted by the Autogiro Company of America. As an Air Corps officer, General Gregory had flown several of the Pitcairn aircraft,

including the PA-22, AC-35 and PA-36, as well as the licensed Kellett YG-1, YG-1A, YG-1B, XR-2 and XR-3. As the result of General Gregory's experience with and field evaluation of rotor-control aircraft on behalf of the Army, and pursuant to his direction and at his insistence, the first successful helicopters manufactured in the United States (December 1941 and January 1942), namely, the Sikorsky VS-316 and XR-4, were developed so as to provide rotor-control therein; viz., so that the cyclic and collective pitch controls be incorporated in the main or sustaining rotor. The development and manufacture of the Pitcairn aircraft laid the foundation for the helicopter industry in the United States, and "bequeathing much of value to the present-day helicopter."

467. The earliest unlicensed manufacture or use by or for the United States Government of the inventions of any of plaintiff's patents in suit, and which manufacture or use is within the scope of this accounting proceeding, occurred in 1946 upon the completion of manufacture for the Government of the first Piasecki XHRP-1 helicopter in November, 1946. During the period 1930 through 1946 plaintiff granted and entered into the licenses which are identified in the following table, generally at a royalty of 5 percent of the retail price or value of the complete aircraft including engine and standard equipment, or at a royalty of 7 percent of the actual sale price if sold without engine or standard equipment. Such licenses comprehend rotary-wing aircraft manufactured and sold commercially, as well as rotary-wing aircraft manufactured for or sold to the Government, and covered all of plaintiff's patented property including the patents in suit as and when issued (hereinafter, the patents in suit).

LICENSEES UNDER PLAINTIFF'S PATENTS
1930-1946

<i>Licensee</i>	<i>Royalty</i>
Kellett Aircraft Corp. 2-10-30 to 5-21-31	Six percent of retail sale price of aircraft complete with engine and equipment.
Kellett Aircraft Corp. 5-21-31 to 1-15-32	Six percent of retail sale price of aircraft complete with engine and standard equipment (hereinafter, complete aircraft).
Kellett Aircraft Corp. 1-15-32 to 4-7-45	Five percent of retail sale price of complete aircraft.
Harold F. Pitcairn (dba Pitcairn Autogiro Company) 12-1-36 to 12-30-41	Five percent of retail sale price of complete aircraft.
Pitcairn-Larsen Autogiro Company 2-3-41 to 11-1-41	Five percent of retail sale price of complete aircraft <i>or</i> (optionally) 7 percent of actual sale price if sold without engine or standard equipment.
A.G.A. Aviation Corp. 11-1-41 to 7-16-43	Five percent of retail sale price of complete aircraft <i>or</i> (optionally) 7 percent of actual sale price if sold without engine or standard equipment.
The Firestone Tire and Rubber Company (Firestone I) 7-16-43 to 3-12-46	Five percent of retail sale price of complete aircraft <i>or</i> (optionally, for sales to U.S. Government) 7 percent of actual sale price if sold without engine or standard equipment but subject to the following annual sliding

*Licensee**Royalty*

	scale: on 1st million dollars of sales, 5 percent or 7 percent as above; on 2nd million dollars of sales, 4.5 percent or 6.3 percent; on 3rd million dollars of sales, 4 percent or 5.6 percent; and on annual sales in excess of \$3 million, 3.5 percent or 4.9.
The Firestone Tire and Rubber Company (Firestone II) 9-1-44 to 12-31-47	For each patent of which the invention of any claim is utilized, the greater of \$100 or 10 percent of the retail sale value of the patented components * (hereinafter, the per-patent royalty), but with a royalty ceiling of 5 percent of the total retail sale value of complete aircraft and spare parts therefor, but subject to the following annual sliding scale: for 1st \$50,000 of royalties, the sum of the per-patent royalties applicable to each such complete helicopter and spare part therefor but not to exceed 5 percent of

* viz., those components or combinations of components of the Licensed Aircraft (including both complete aircraft and also parts and assemblies of parts for use therein, i.e., spare parts therefor) which singly or in combination embody or operate according to one or more of the claims of the patent.

*Licensee**Royalty*

the total retail sale value thereof; for the next \$45,000 of royalties, $\frac{1}{10}$ ths of the initial rate; for the next \$40,000 of royalties, $\frac{1}{10}$ ths of the initial rate; and thereafter $\frac{1}{10}$ ths of the initial rate.

The plaintiff entered into two agreements with United Aircraft successively effective January 1, 1947, and January 1, 1949. In the first of these, in substantial accordance with Autogiro's offer of January 7, 1947, United agreed to pay Autogiro a fixed royalty of 500 dollars an aircraft during the calendar years 1947 and 1948. Under the '47 agreement, the royalty rate would have increased in 1949 to 2% of the total retail sale value (including engine and standard equipment). In a July 1948 letter to Autogiro, United expressed dissatisfaction with continuation of the '47 agreement. It proposed the continuation of a fixed sum per aircraft royalty until the license would become paid up at a total of \$325,000. On January 2, 1949, Autogiro and United signed an agreement effective January 1, 1949, in which United was granted a paid-up license in all Autogiro's patents for the single sum of \$120,739. During the years 1947-48, Autogiro continued negotiations with McDonnell Aircraft, Bell Aircraft, and Piasecki Helicopter offering in June to September, 1947 to license each of them at a ceiling of 2% of the total retail sale value (including engine and standard equipment), and offering Piasecki a license with a ceiling of \$1,000 an aircraft until the end of 1948. These offers were not accepted.

468. In July 1943, for the purpose of contributing to and for the good of the war effort, Pitcairn, President of

Autogiro Company of America, unilaterally selected and proffered to the Government and to the rotary-wing industry a nominal *wartime* royalty rate of .85 percent of the contract price of the aircraft. In acknowledging that wartime royalty rate, the Army Air Forces characterized Autogiro's proposal as exemplifying "an excellent spirit of cooperation." The .85 percent wartime royalty rate was not represented or considered to be a precedent or guide as to the value of plaintiff's patented property, including the patents in suit, nor did it measure the value of plaintiff's patented property or the value of the patents in suit. In addition to the licenses enumerated in finding 467, plaintiff granted and entered into *wartime* licenses with Nash-Kelvinator Corporation, United Aircraft Corporation and Kellett Aircraft Corporation, as of August 28, 1943, March 24, 1944 and April 7, 1945, respectively, which covered all of plaintiff's patented property including the patents in suit. The royalty provided in those wartime licenses was .85 percent of the contract price (excluding the cost of engines) for rotary-wing aircraft made for and sold to the Government. By their express terms, those wartime licenses expired 6 months after the cessation of hostilities, i.e., on March 2, 1946. Both of the Firestone licenses also contained similar wartime royalty provisions, although Firestone I specified that the nominal royalty at a flat-rate of .85 percent shall be calculated only upon the value of the gross sales to the Government instead of upon the retail sale price of the complete aircraft with engine and standard equipment. Prior to World War II, the only manufacturers of production rotary-wing aircraft in the United States were Pitcairn Autogiro, Kellett Aircraft, Pitcairn-Larsen, and AGA Aviation, and during the entire period 1930 through October 1946, those companies, and in addition Firestone, Nash-Kelvinator, and United

Aircraft were the only manufacturers in the United States of production rotary-wing aircraft sold commercially or to the Government. During that entire period, all such rotary-wing aircraft manufactured for or sold to the Government were licensed under plaintiff's patented property, including the patents in suit, and all but a few of those manufactured and sold commercially during that period were likewise so licensed. The wartime licenses granted to United Aircraft and Nash-Kelvinator were entered into with the approval of the Under-Secretary of War, and pursuant to the specific request by the War Department that the licensees accept those licenses. The wartime license to Kellett Aircraft was also entered into at the specific request of the War Department. Those wartime licenses were effected pursuant to the provisions of the Wartime Ceiling Agreement which was "made as of January 1, 1944" between plaintiff and the Government. By that Agreement plaintiff was required "to offer to any manufacturer designated by the Government a license in substantially the same form as, and at the royalty rates set forth in the form of license attached hereto and marked Exhibit B . . .". That form of license contained not only the .85 percent wartime royalty provisions, but also the same royalty provisions, including the per-patent royalty provisions, as contained in the subsequently granted Firestone II license.

469. Each and every license granted by plaintiff during the period 1930 through 1949, as enumerated in the preceding findings, comprehended all of plaintiff's patented property which was and would be available for license, including but not limited to the patents in suit. In each of those licenses, and also in the form of license appended as "Exhibit B" of the Ceiling Agreement, the

specified royalties were to be paid if any of the licensed patented property was utilized in the licensed aircraft.

470. Shortly after the wartime licenses expired on March 2, 1946, the Firestone II license was consummated on or about March 12, although it was "entered into" retroactively as of September 1, 1944. That license continued in force until its termination on or about July 13, 1948 by agreement of the parties and pursuant to Firestone's decision to discontinue its manufacture of rotary-wing aircraft. In effecting that termination, Firestone recognized its obligation, as of July 1948, to pay plaintiff "royalty amounting to 5% of sales value of rotary wing machine to be disposed of." During the period following the cessation of hostilities in World War II and continuing through 1946, and after granting the Firestone II license in March, 1946, plaintiff made offers to a large number of business organizations of licenses under its patented property, including the patents in suit, and on the same royalty terms. On March 12, 1946, the same date the Firestone II license was consummated, in reference to the Government's contemplated helicopter procurement in the post-war period which would infringe one or more of plaintiff's patents, plaintiff reminded the Government and specifically the Royalty Adjustment Board, Army Air Forces Air Technical Service Command, that the helicopters procured by the Government during the war from Firestone, Kellett, Nash-Kelvinator and United (Sikorsky Division) had been licensed by plaintiff under its patents, and plaintiff also informed the Government that Firestone's license extended to post-war manufacture under plaintiff's patents and that plaintiff had offered post-war licenses to a number of other companies. As of 1947 and 1949, plaintiff entered into license agree-

ments with United Aircraft as described at the end of finding 467.

471. In 1946, plaintiff's representative informed counsel of the Army Royalty Adjustment Board, Army Air Forces, and counsel of the Navy Patents Division that the Government was procuring helicopters from manufacturers not licensed by the plaintiff and which would infringe plaintiff's patents, and also advised that plaintiff was willing to grant licenses to any companies from which the Government procured post-war helicopters. Government representatives responded that the Government had no concern because it was requiring patent indemnification from its manufacturers. In 1947, plaintiff sent letters to the Secretaries of War and Navy concerning patent infringement. In August 1948, Government representatives advised plaintiff that if the Government obtained helicopters from unlicensed sources, plaintiff's only recourse would be by suit in the United States Court of Claims. It was indicated that it was the position of the Chief, Patents Branch, Department of Army, that plaintiff could sue the Government in the United States Court of Claims, but by the time it got anywhere all of its patents would have expired.

472. The basic 2% royalty figure of the 1947 United agreement was offered by plaintiff "fairly widely" to other major manufacturers and proposed manufacturers of helicopters, and plaintiff characterized these terms as its current offer. Plaintiff never expressed dissatisfaction with those terms and on the contrary appeared to view them as satisfactory to it. The 1947 United agreement was not mainly the product of compromise to avoid litigation but represented the then fair market value of a license to [under] plaintiff's patents.

473. The 1947 United license represents, in itself and as offered to other manufacturers, plaintiff's established royalty during the period involved in this suit (Nov. 1946-May 1964) and is the appropriate measure for determining compensation to plaintiff in the present suit.

APPENDIX C.

Excerpts From Trial Transcript.

Vol. 21, Pages 2187-2188.

MR. HILL: Next one, Your Honor, DX-258, which is the 1947 United agreement. DX-258.

MR. MCALEESE: We object to the admission in evidence of that document on the ground that it constitutes evidence here which is beyond the scope of the direct, and secondly, it constitutes evidence which is not relevant to any material proposition of fact in this accounting proceeding, as explained at length by me heretofore on this record.

THE COURT: Well, I will receive it in evidence, and in so doing, I am not making any expression as to whether or not it is relevant to the Plaintiff's case or the Defendant's case, but I think we do need it in evidence, and it will be received.

MR. HILL: Thank you, Your Honor. DX-259.

MR. MCALEESE: Objection to the admission in evidence of DX-259, on the same grounds as our objection for DX-258.

THE COURT: I will receive it with, the same as I did 258.

Vol. 58, Pages 8118, 8120 & 8121.

* * * *

THE COURT: I think pages number 3-39 inclusive should be removed from this Exhibit. And if Defendant desires to do that why—

MR. HILL: Fine, fine, Your Honor.

THE COURT: In other words, pages 1 and 2 and 40 through 77 inclusive are received.

(Whereupon, the above mentioned documents having previously been marked for identification as DA-14 were received into evidence as described above.)

* * * *

MR. HILL: We will remove the Appendix A, Your Honor, if that's satisfactory.

THE COURT: Very well, with that removed, DA-15 will be received in evidence.

(Whereupon, the above mentioned document having previously been marked for identification as Defendant's Exhibit DA-15 was received into evidence, as described above.)

* * * *

THE COURT: DA-16 will be received upon removal of the pages 2 and 3, and Item 1 on the cover page has been stricken.

MR. HILL: Thank you, Your Honor.

(Whereupon, the above mentioned document was marked for identification as Defendant's Exhibit DA-16 and received into evidence as described above.)

APPENDIX D.

Excerpts From Government's Brief Before the Court of
Claims, as Filed March 3, 1976.
Pages 28-29.

IV. SUMMARY OF ARGUMENT

Although this litigation has been long and complex, the defendant now advances only four main points which it considers to be major errors¹⁰ in the Trial Judge's Opinion. These can be summarized briefly as follows:

(1) In determining the level of compensation due plaintiff, the Trial Judge excluded, as a matter of law, consideration of all evidence of the market value of a license in plaintiff's patents after November, 1946. By so doing, he could then rely on a single license between plaintiff and a very minor helicopter manufacturer. The Trial Judge's failure to consider licenses and negotiations for licenses after November, 1946, is clearly erroneous. With his erroneous approach, the Trial Judge failed to consider those license agreements which most accurately reflect the market value of a license in plaintiff's patents during the relevant accounting period.

The defendant presented at trial a method of calculating the proper level of compensation due plaintiff based on these licenses which the Trial Judge improperly ignored. The defendant's proposed calculation was soundly based and reflected the genuine value of a license in plaintiff's patents. That method of calculation should be adopted by the Court.

Pages 43-45.

3. *Plaintiff's Postwar Offer of a Package License at 2% Places a Ceiling on Its Recovery.*

In the period 1947 to 1948, plaintiff offered to almost the entire helicopter industry a license agreement much like Exhibit B, but which placed a ceiling on royalty payments based on 2% of the aircraft price. As stated above, United was offered in July, 1945, a license similar to Exhibit B, but without the ceiling rates filled in. After considerable negotiation, United and Autogiro entered in June, 1947, an agreement effective as of January, 1947, which was similar to Exhibit B, but containing a ceiling limitation of \$500 an aircraft prior to January, 1949, and 2% of the aircraft sales price thereafter.¹³

In 1947, the plaintiff offered to the Piasecki Helicopter Company, the Bell Aircraft Company, and the McDonnell Aircraft Company a package license similar to the '47 United license, but only with the 2% limitation and not the \$500 an aircraft provision.¹⁴ *Each of these firms refused to accept such a license.* Piasecki, in particular, indicated that considering the state of development of the helicopter industry in 1947 to 1948, *Autogiro's demands were unreasonable.*

Thus, the record clearly indicates that in the postwar environment, Autogiro *itself* considered a 2% royalty to be

13. The foregoing rate arrangement was firmly offered to United at least as early as January 7, 1947, and, after some modification by United's provisos, was essentially agreed to on February 26, 1947.

14. In 1947, Autogiro also offered to Piasecki a 2% license with a ceiling of \$1,000 per aircraft for 1947 and 1948. That license was also considered *unacceptable* by Piasecki. The offers, including a 2% ceiling, were made in July, 1947, *before* any production version of Piasecki helicopters were accepted by the Government in October, 1947. [DA14, DA15, DA16].

just compensation for the use of its patents. In fact, in an October, 1947, letter [DA17-15], plaintiff's attorney, Raymond Synnestvedt, stated that 2% is the plaintiff's post-war rate.

These offers in 1947 and 1948 represent plaintiff's *own evaluation* of the postwar value of its patents. The probative value of these offers is greatly enhanced when it is considered that they represent the "positive actions of those most concerned in reaping the greatest profit from a patented monopoly." *Richmond Screw Anchor Co., supra.*

Therefore, plaintiff's own actions set a *maximum ceiling of 2%* on its recovery in this postwar accounting period.

In the alternative, even if the Court were to accept the Trial Judge's conclusion that the defendant's compulsory compensable license was fixed in November, 1946, and, therefore, comprised the provisions of the Firestone '44 Agreement signed in March of that year, the plaintiff's January 7, 1947 offer to United and its acceptance of the 1947 agreement would operate as a ceiling on plaintiff's recovery.

The Firestone '44 agreement contained as Section 12 a most favored licensee provision which grants to the licensee the benefit of any lower rate granted on substantially the same terms and conditions as the Firestone license. Clearly, the United '47 agreement triggers the operation of that clause and, even under the plaintiff's and the Trial Judge's fixed license theory, would establish a maximum ceiling of 2% effective in June, 1947, before any major procurement in this case.

APPENDIX E.

Respondent's Exhibit PA-262.

BYERLY, TOWNSEND & WATSON

MEMORANDUM

June 9, 1948

UNITED AIRCRAFT CORPORATION

Re: AUTOGIRO MATTERS.

Attached is a copy of a preliminary draft of memorandum which I prepared last week and took to Hartford with me on the night of June 3rd. It was used as the basis for a conference on June 4th with Messrs. Walsh, Chatfield, Whelan, Pease, Shelton and myself. Although only a preliminary draft, copies were left with Mr. Walsh, Mr. Chatfield, Mr. Pease and Mr. Whelan. Mr. Walsh read and approved the draft, and said that it gave him "just what he wanted". He subsequently gave it to Mr. Horner who has read it, and Mr. Pease gave it to Mr. Jackson who has also read it.

I was anxious to do a little polishing and editing and to put the draft into better form, smoothing the language in places and perhaps making a little amplification; but since Mr. Walsh and the others concerned expressed themselves as entirely satisfied, and everyone has read it who will read it, it was decided by Mr. Chatfield and the others that we should not at this time go to the expense of putting it into final form, or even doing any more work on it.

Accordingly, the attached copy is filed in the form in which the original and other copies were distributed on June 4th to everyone concerned.

C.B.L.

PRELIMINARY DRAFT

MEMORANDUM AS TO AUTOGIRO PATENTS

We have now been asked to consider or reconsider twenty-four out of the more than two hundred patents presently licensed to us by Autogiro. These twenty-four have been selected by Mr. Cagarin, from a consideration of all the patents. They include twelve concerning which I gave an opinion about two years ago and twelve which I had not previously seen.

In the time since Mr. Cagarin's latest report (May 3, 1948), it has been physically impossible to make an exhaustive study of the new patents and new constructions; and a study of any additional prior art, and of the voluminous file-wrappers, has been out of the question, for time reasons. Rather than attempt a conclusive study of one or two patents, it was decided to make a relatively superficial, but comparative, study of all the patents, to the extent possible in the time available, and to essay (a) a rough comparison of the new patents with those previously carefully considered; (b) a general evaluation of the developments since the opinions of two years back; and (c) an estimate of the status of the new helicopter models developed since the S-51.

The results to date may be summarized roughly as follows:

1. *Comparison of Newly-Considered Patents with Those Formerly Studied:* The twelve newly-considered patents are of the same general type as those previously considered, but at least two of the more troublesome new ones are of the same date as, or later than, the Cyclical Pitch Control patent previously thought to be among the most dangerous (expiration date, 1962). A number of other new patents are also relatively recent.

Of the claims particularly pointed out by Mr. Cagarin in the newly-considered patents, the relatively superficial examination so far completed indicates that our defenses, and chances of success, would run about the same gamut as with the patents previously considered. None so far appear to be much worse, if any, for us than the Cyclical Pitch or Articulated Blade patents; while some of the new ones, at least against some of our models, appear less dangerous than patents previously considered.

2. *Probability of Successful Defense:* As to any one of the twenty-four patents now under consideration, it seems a reasonable expectation that enough time and enough work would serve to develop at least a substantial defense. However, if sued on all the twenty-four patents, and especially in view of some of our own publications and prospective publications, I think that we would have to face the fact that Cierva and Autogiro have made a sufficient contribution, and that we ourselves have conceded them sufficient accomplishment, so that a court would be likely to sustain at least some of their patents against us. It seems extremely improbable that, even with the hardest work and the greatest preparation, we would be able to win on every patent of the twenty-four. I would expect to win on many of them, but would also expect a certain number of the patents to be sustained against us, both on the basis of the law of averages and because of admitted contributions attributable to the plaintiff.

3. *Exhaustive Study of Each Patent Perhaps Premature at This Stage:* It was concluded that, for present purposes, an attempt at exact evaluation of the defendant's chances on each one of the respective patents might not be sufficiently helpful to justify the very great time and expense involved; and would certainly be impossible before June 30th.

Although Mr. Gagarin's selection of the patents, and of the claims to be considered, coincides to a substantial extent with Autogiro's own selection recently put forward by them to the Army and Navy,* we still have no assurance that the precise patents and claims which we are now studying are those upon which Autogiro would elect to sue. Thus an exhaustive study and preparation, such as would be required for a law suit, and also for a categorical opinion, might be partly wasted at the present stage. Moreover, it would lead only to an opinion at best, which is simply one man's opinion against that of another, and is never conclusive as to the court's actual decision. For that reason, it was thought that the available time could be spent to better advantage as indicated below.

In general, the defendant usually has the better side of a patent case in these days, barring exceptional circumstances; and practically every defense can always be improved through continued search, investigation, preparation and infinite hard work.

An attempt has been made to evaluate the twenty-four patents upon various general grounds, with the following results:

4. *Expiration Dates:* The earliest date upon which we can give notice of cancellation of our license is June 30, 1948. If that is done, the license terminates December 31, 1948. No suit can be commenced against us until we make a *commercial* sale of a helicopter after termination of the license (January 1, 1949 or later). No commercial sales of helicopters are now definitely scheduled for *any* time after the end of the present year.

* Of Mr. Gagarin's twenty-four selected patents, twenty-one are on the list of seventy-eight which Autogiro very recently sent to the Army and Navy as typical of all; and Autogiro's selection of typical claims often includes claims also singled out by Mr. Gagarin.

Of the twenty-four patents, the first thirteen expire before the end of 1951. It seems altogether unlikely that a suit commenced after the first commercial sale in 1949 could reach final determination before the end of 1951. Autogiro admits that none of these patents has ever been litigated, and there seems no likelihood of a preliminary injunction in the absence of prior adjudication.

Even in the event of an unfavorable decision in the district court, any injunction would probably be suspended pending decision on appeal, upon our giving a supersedeas bond; and an appeal would probably require an additional year at least. Thus, as to these thirteen patents, our concern would probably be limited to money damages rather than an injunction.

These thirteen patents include some of the twelve previously studied which were then considered the most dangerous; but do not include Cyclical Pitch Control. They do include the dangerous Articulated Blade patent, blade balancing, and the two very troublesome damper patents.

There are four more patents expiring before the end of April 1952. These do not include any considered to be in the most dangerous category, except for No. 1,999,136 relating to a metallic blade. Investigation to date indicates that our metallic blades probably do not infringe that patent, but this is subject to confirmation upon much further study of the file-wrapper end of the prior art.

As to these four patents, also, we probably do not have to feel serious fear of an injunction.

This leaves seven patents having expiration dates from 1955 to 1964, of which the four latest are probably also the most troublesome in this group. They include No. 2,380,582, Cyclical Pitch Control, expiring in 1962, which, in my opinion, is probably the most serious patent

that we now have to face, in view of the early expirations of some of the others. Thus these seven patents cannot be dismissed on the basis of expiration dates alone, and we have considered them on a different basis:

5. *Expected Commercial vs. Government Sales*: As to all sales by us to the Government upon Government contracts, with the "authorization and consent" of the Government according to the usual clause, we are not subject to direct suit, and neither we nor the Government are subject to any injunction. Plaintiff's only direct remedy would be by suit for money damages against the Government in the Court of Claims.

As to Government business, the situation has changed radically within the last two years. While two years ago it was expected that the majority of foreseeable sales would be commercial, it is now expected that the great majority presently foreseeable will be made to the Government. It is understood that the current estimate of commercial sales for 1949 is only about six ships, all S-51s, and a like estimate for 1950, none of which are on orders now booked. This is out of an estimated total sales of about eighty-four ships for 1949 and forty-seven for 1950, divided between S-51s and HJS-1s. No S-52s are included in either estimate.

Thus any suit brought against United before the end of 1950 would, as presently estimated, involve only about twelve ships sold commercially, and for which no present orders exist. It seems open to some doubt whether the possible recovery would justify so expensive a law suit, from Autogiro's point of view.

If in your Government contracts for those ships you have or should hereafter accept the indemnity clause now incorporated in the current version of the Joint Procurement Regulations, you would presumably have a con-

tingent liability over to the Government. Autogiro is now engaged in attempting to negotiate a license to the Government. These negotiations are apparently proceeding with extreme slowness, Autogiro having delayed from last summer until recently to furnish the before-mentioned memorandum of seventy-eight patents, requested by the Government.

Even in the event of suit by Autogiro against the Government, such an action in the Court of Claims would probably consume several years. Under present Government policies, to the extent that procurement of our production was involved, we would probably have the right of consultation, and possibly of participation, in the defense.

It is usual in the Court of Claims to enter into a stipulation severing and deferring the accounting, if any, so that that would involve a subsequent and probably lengthy proceeding, should the Government lose on the merits.

Even then a judgment is not automatically paid, but awaits an appropriation by Congress. Only after such appropriation and payment would the Government be in position to attempt to collect over from United on any indemnity that it might have given, and while the Government would then presumably have that legal right under the contract, it is understood that such right has, in the past, not ordinarily been exercised by the Government in cases in which the contractor gave adequate cooperation in the defense.

Since such an action against the Government involves no problem as to injunction, any contingent liability could presumably be dealt with by general or special financial reserves.

6. *Patents Classified as to Possible Damage to Us by an Injunction*: An attempt has been made, especially as to

the eleven patents expiring subsequent to 1951, to determine how serious might be the consequences of an injunction, even though applicable only to commercial sales. This in itself is difficult to foresee because an injunction would be highly unlikely before the litigation was concluded and our remedies exhausted. Since that would require several years, the engineering situation might well have changed during that time.

To give extreme examples, however, the Cyclical Pitch Control patent No. 2,380,582, expiring in 1962, would, according to both Mr. Sikorsky and Mr. Gluereff, be extremely inconvenient, although not impossible, to avoid. The VS-300 was flown without it, and Mr. Sikorsky thinks that a ship without Cyclical Pitch Control is theoretically possible even now; but it probably would not be satisfactorily competitive. However, if the patent were sustained against us, it would presumably (but not necessarily) be sustained also against our competitors, so that all would have to take licenses or submit to injunction.

Such a claim of this patent as claim 1 is directed to means for causing the ship to fly in the direction in which the stick is moved—forward for forward flight, left for left flight, and so on. This could be avoided by rigging the ship to fly forward for backward motion of the stick, left for right motion, and so on, thus reversing the present controls. Motion of the controls is said to be an acquired habit rather than an instinct. While such reversal is thus theoretically possible, and we demonstrated a similar possibility in the *Pelterie* case by actual flights by famous Army pilots, it is understood from Mr. Gluereff that the direction of the responses is now so well established in pilots' training that any avoidance of the claim on that basis would now be impractical.

Thus if the Cyclical Pitch Control patent were sustained against us, as to such claims, and in its broadest

possible scope, even after all our remedies had been exhausted, there seems little doubt that an injunction would be a very serious matter as regards commercial business (it does not need to be considered as regards Government business), and we should probably have to take a license.

As to the probable availability of a license after litigation and injunction, it should be considered that Autogiro is purely a patent holding company and, having no manufacturing activities of its own, can derive income only from licenses or the collection of damages. Thus were it, in the last eventuality, to be entitled to an injunction as the result of prolonged litigation, it still seems unlikely that Autogiro would profit by insisting upon an injunction rather than a license. It seems probable that a license would be negotiated even at that time, although higher rates would undoubtedly be demanded under a thus-sustained patent, after an unsuccessful but expensive defense.

At the other extreme as to potential damage by injunction, there is patent No. 1,989,554 expiring January 30, 1952 and relating to blade folding. This has, as claim 2, a claim directed to the use of one or more additional pivots for each blade "for folding purposes". As at present advised, any type of blade folding is used only on ships for the Armed Services, principally Navy ships, which require blade folding for storage; but such ships are not subject to injunction.

On the S-51 there are two pins in the blade root-end mounting, arranged in such a way that folding might theoretically be possible, although they are placed there for anchoring and not for "folding" purposes. However, while in the current construction these pins are arranged vertically in the collar at the root of the blade, I understand that, in new designs, they could equally well be arranged horizontally, without additional expense, and perhaps this

will be done in any event. Thus by the simplest change, without expense, and perhaps even as a desirable change for engineering reasons, this patent could be avoided even if an injunction were issued.

Further, there seems substantial doubt whether this patent, even in its broadest terms, would be infringed in any event by our folding system on the S-51, and it is one of the patents upon which we would have one of the better and easier defenses as regards structures for commercial sales.

The other patents in this group of eleven are believed to fall within the extremes indicated by the two specifically dealt with.

7. *Differences in Patent Position of Our Different Structures:* As between the S-51, S-52 and Navy ships, there are undoubtedly substantial differences in their status with relation to the Autogiro patents. But these are not all in one direction, and at the present stage of the investigation it would be hard to say that the S-52 and Navy ships stand better than the S-51. Upon several of the more troublesome patents (Cyclical Pitch, Articulated Blades) they seem to stand about alike. It is true that the substitution of the metal blade tends to eliminate one or more patents which give rise to concern as to the fabric blades, but it does require consideration of at least one additional patent pertaining to metal blades, No. 1,999,136. As to this, however, we seem to have quite the better of the situation on infringement.

While I am not yet prepared to give a categorical answer, I have the present impression that the substitution of the metal blades (used on the S-52 and Navy ships, and soon intended on the S-51) tends to improve our situation, and also that, as to at least some of the seven

patents last expiring, the S-52 and Navy ships stand better than does the S-51.

Attached is a rough draft of an attempted "Score Sheet" prepared by Mr. Gagarin at a result of our conference in Bridgeport last week. While I have not yet had time personally to check all its conclusions, it at least illustrates the situation as to the respective models as I now see it, and also seeks to compare them with Bell.

8. *Comparison of Our Situation with that of Bell:* I understand from recent conversations with the Bell attorney that they have spent at least nine months in intensive investigation of the more than two hundred Autogiro patents. They now have it sifted down to some three or four patents having an apparent verbal or *prima facie* application to their structure, but which they believe can be invalidated or eliminated by a proper showing of prior art, or construction of the claims. These few remaining patents are now under final engineering investigation at Bell.

This situation of a *prima facie* application of the claims, and the consequent necessity for a defense by prior art or limitation by interpretation or construction, in one which confronts us as to the greater number of patents under consideration. It is one of apparent "coverage", and the necessity for finding reasons for limitation of the apparent scope, or prior art defenses. By relatively little effort on the part of a plaintiff, a *prima facie* case is made out on such a patent, and a heavy burden then shifts to the defendant.

That Bell has encountered that situation in only a few patents, while we have it in the majority of the twenty-four now under consideration, indicates to me that the Bell structure may stand considerably more favorably than ours as regards the Autogiro patents. This seems to

be confirmed to some extent by the final column of Mr. Gagarin's attached "Score Sheet", although the latter indicates that Bell stands much as we do on "Cyclical Pitch Control" and some of the other troublesome patents.

I am informed that Bell feels reasonably satisfied with the Oehmichen and other prior art against the Cyclical Pitch Control patent and that, if current engineering studies confirm their now tentative conclusions as to it and a few other patents, Bell will, within a few weeks, give to Autogiro a definite written refusal of a license. Bell would then be prepared to stand suit; and its patent attorney has indicated a willingness to cooperate with us in the defense of such a suit, as to representation by counsel and otherwise.

9. *Competitive Situation as to our License:* Autogiro concedes in its recent letter to the Army and Navy that none of the patents have been or are now in litigation and that no notices of infringement have been sent.

The Government is at present apparently in the stage of considering the Autogiro patents upon Autogiro's request that the Government accept a license. So far as known, it is Autogiro which is pressing the Government to accept a license, rather than the Government which is seeking one.

Bell certainly has no license, and if our information is correct, is likely to give a categorical refusal of one in the near future.

Autogiro informs us that it is in negotiation with others for a license; but so far as is known, we are at the present time the only company with any substantial production that pays royalties under the Autogiro patents or acknowledges them. This undoubtedly places a substantial burden upon us in competition and might furnish a strong argument in our favor, in the event of negotiations seeking a more favorable license.

10. *Business Considerations:* These are of course primarily for Mr. Whelan and others, rather than for the attorneys. Nevertheless, after having spent the greater part of a day with Mr. Whelan in Bridgeport, in discussing this matter from all aspects, it may not be out of place to say that I have the distinct impression that there are compelling business and practical considerations which might form a much better basis for attempting to negotiate a new and more favorable agreement with Autogiro than would any purely patent considerations. While patent and legal aspects of the situation might also be used, especially as a supplement, I think the direct business and practical argument is more likely to succeed. In a discussion between opposing patent counsel, purely as to merits or faults of individual patents, it is unlikely that either side would ever succeed in convincing the other. Detailed discussions purely on that basis often do more harm than good.

11. *Articles and Other Publications Possibly Chargeable to Defendant:* A start has been made toward the examination of books, articles and other material which might be used against us, in cross-examination of our witnesses.

There seems no doubt that Mr. Sikorsky himself is by all odds the best witness available to either side; and if his services were fully available to us, as patent expert or as a fact, practical and historical witness, they would be invaluable and perhaps decisive on a close issue.

In connection with the current investigation my attention was directed to a proposed article by Mr. Sikorsky, drafted for publication in the forthcoming edition of Collier's Encyclopedia. While this was given to me simply for my own information, and without any thought I should consider it for statement of possible embarrassment to Mr.

Sikorsky, I did read it from the latter point of view, as being of most interest to a trial lawyer. In doing that I found, in the preliminary draft, a number of statements which, if published, our adversaries would undoubtedly use for the purpose of confronting Mr. Sikorsky, or any other witness that we might put on, in cross-examination. It is a very common thing in a trial for cross-examining counsel to confront the opposing expert and other witness with various writings and publications that he has made; and certainly we should have to expect that from our adversaries here. It is a standard part of preparation for trial to search all publications (including patents) of possible use in cross-examining opposing witnesses, and to seek to know all publications possible usable against one's own witnesses.

However correct the proposed statements in the Collier article may be, to the extent that they go, they at least appear incomplete and many would probably require explanation. Strictly from the point of view of this prospective litigation, therefore, I think it would be preferable to have the proposed Collier article withdrawn.

Study of the foregoing article led naturally to a consideration of many of Mr. Sikorsky's other writings, lectures, books, and papers. Of these, one which would undoubtedly require careful consideration, and very probably some explanation (which I think Mr. Sikorsky is prepared to make), is an article in the *Journal of the Aeronautical Sciences*, Volume 9, No. 6, June, 1942. The first two paragraphs of this article are as follows:

"Even a brief glance at the history of direct lift aircraft reveals that the primary problems that were encountered in this field were those of (1) stability, (2) control, and (3) the smoothness of operation of rotors and of transmission mechanisms.

"During the nineteen twenties, however, extensive research and experimentation was carried on by Juan de la Cierva and his associates on the autogyro which made possible for the first time a practical understanding of many principles of rotating wings, including the famous articulated blades, rotor balance, rotor control, etc. The impulse given by the successful work of de la Cierva, as well as the general progress in aeronautical engineering, finally permitted the successful solution of all main problems connected with the design of a helicopter."

I have also made a rather careful examination of Mr. Sikorsky's book entitled "The Story of the Winged-S", more especially with reference to the early chapters concerning the 1909 and 1910 helicopters and the final chapter apparently added about three years after the first edition. On pages 269 and 275, as well as elsewhere, I found statements which would need very careful consideration in connection with any testimony which Mr. Sikorsky might give.

On the whole, I think the net result of all the writings and proposed writings which I have so far examined is to make our defense more difficult than was formerly believed. I think they contain material tending to extoll the work of Cierva, emphasizing the difficulties in the development of a successful helicopter, and tending to emphasize the unsuccessful or paper character of some of the prior art upon which we shall probably have to rely. They indicate that few if any of the early helicopters, representing attempts to build the structures of the prior-art patents making our defense, had any success in their time, thus weakening the effect of the prior art. No doubt this can be explained to some extent, but it will certainly make an explanation necessary.

While perhaps no insurmountable difficulties are thus presented, nevertheless all this material would have to receive the most exhaustive consideration, both in the selection of witnesses and in the preparation of their testimony. I think its net effect is to make our defenses, as to several of the patents, less strong than was previously supposed.

RECOMMENDATIONS

1. That an attempt be made to negotiate a new agreement with Autogiro upon much more favorable terms and at lower rates than the present one. In such an agreement I should like to see the rates very materially reduced and the "flowback" eliminated.

2. If the corporation is willing to assume the risks involved in attempting to renegotiate the present license upon more favorable terms and, failing that, to stand suit, the negotiations might be facilitated by giving a formal notice of cancellation, on or prior to June 30, 1948. We might, of course, come out with a worse rather than a better agreement, or end with none and the consequent probability of early litigation.

3. The patents with which we are mostly concerned center around the motor head, blades and controls. They have little application to the power plant, chassis and other parts upon which, under the present agreement, we nevertheless have to pay royalty at the rate of 2% beginning January 1, 1949.

I feel that negotiations for any new agreement should be directed intensively to an attempt to base any percentage royalties exclusively upon the parts and components which are actually covered by the patents,—excluding all such things as the engine, chassis and equipment.

4. After extensive discussion with Mr. Whelan, it seems to me that some basis which would work out to around \$200 a ship for the present large ones (S-51 and Navy) and to around \$100 a ship for the S-52 might be reasonable and justified. Against the burden of such payments under a license you would have to set the undoubtedly large expense, time and disruption of business entailed by a law suit, and the definite uncertainty of its outcome.

Approximately the foregoing results might be reached on several different bases of computations, as (a) approximately 2% (I understand) on the components actually covered by the patents; or (b) a weight basis along the lines discussed two years ago.

Any such precise terms necessarily involve more business than legal considerations, but it may not be out of place to give my own feeling that the approximately \$1500 a ship to which the present rates would increase after January 1, 1949 is a heavy burden for us to carry in view of the character of these patents, and especially at the now-scheduled product rate. I understand that estimates are now that royalties at the increased rate of the present agreement would amount to some \$235,000 during the years 1949 and 1950 alone; that about \$79,000 has already been paid under the former agreements from 1944 through 1947 (much of which was charged to the Government); and that about \$39,000 royalties are estimated for 1948.

No doubt these royalties collected from us are used by Autogiro for soliciting additional patents and may also be used to finance future litigation against us.

Accordingly, if the existing agreement is to be cancelled, the present seems as favorable a time as can now be foreseen, either to attempt the negotiation of a more favorable agreement or to stand suit should that prove necessary.

5. I suggest that the proposed Collier article be withdrawn from publication.

6. I recommend that we maintain communication with the Bell attorneys, for exchange of at least general information, and for discussion of the possibility of a satisfactory basis of co-operation in the event that either is sued.

7. Make prompt inquiry from Government counsel concerning the present status of their investigation, and their intentions as to taking an Autogiro license.

8. Continue intensive study of the potentially more troublesome Autogiro patents, especially with reference to Mr. Gagarin's newly discovered prior art and the file-wrappers of the twelve additional patents. These are matters that I have not yet been able to study, for reasons of time.

9. Complete any remaining steps recommended in my previous opinions.